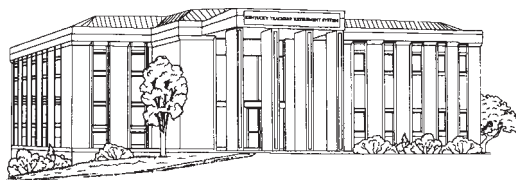


# KTRS NEWSLETTER

TEACHERS' RETIREMENT SYSTEM  
OF THE STATE OF KENTUCKY

ACTIVE MEMBER EDITION

April/May 2005



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## 2005 Legislative Session Highlights

The retirement system's primary goal for the 2005 General Session was to obtain funding for the medical insurance program under House Bill 434 so that medical insurance could continue to be provided to retirees at current benefit levels. The unexpected 42% increase in the State Group Health Plan medical insurance premium cost for the 2005 plan year produced an immediate funding crisis for the KTRS medical insurance program. The funding crisis became even worse when the Personnel Cabinet announced that the State Group Health Plan cost could possibly increase by an additional 25% for the 2006 plan year.

The Executive Budget presented in early February of 2005 did not contain funding for the medical insurance program under House Bill 434. However, both the House of Representatives and the Senate were very receptive to the requests of KTRS and the many, many members who contacted their elected officials to request the necessary funding. As a result, both the House and Senate final versions of the Executive Budget (identified as House Bill 267) contained a vehicle to achieve the total funding requested for the current biennium in the amounts of \$29 million for fiscal year 2004-2005 and \$62 million for fiscal year 2005-2006, for a total of \$91 million. This bill was signed into law by the Governor on March 20, 2005. KTRS members were extremely diligent in contacting their legislators to achieve funding for medical benefits through 2006. This action on the part of the members was extremely important and you are to be commended for your efforts in making your concerns known to your representatives.

As many of you are aware, the budget for the 2004-2006 Biennium was passed in this 2005 Session because a biennial budget was not passed in the regular 2004 Session. As the unexpectedly extreme increase in the cost of health insurance premiums could not have

been reasonably anticipated during the 2004 Session, KTRS was extremely fortunate that the additional funding needed for medical insurance was secured in this 2005 Session. Due to the limited availability of new funds in the state budget, the only means available for funding the \$91 million needed by the KTRS medical insurance program for the 2004-06 biennium was to amortize the cost over a ten year period. While the amortization method was a solution in the short-term for 2004-06, it is extremely important that the future funding needs required under House Bill 434 be included in the budget related to that biennium.

Other highlights of the Executive Budget include funding, on an amortized basis, for a 0.8% ad hoc COLA which was added to the base COLA of 1.5%, for a total COLA of 2.3% effective for KTRS retirees on July 1, 2004, and a 0.7% ad hoc COLA which will be added to the base COLA of 1.5%, for a total COLA of 2.2% effective July 1, 2005. Amortization of sick leave payments and minimum value benefits was also provided. These items were all included in the original Executive Budget approved by the Governor's Office and have now been enacted into law, along with the medical insurance funding provision.

Another bill of interest is House Bill 272 which is sometimes referred to as the "tax modernization bill." Under this bill, the amount of all retirement and pension allowances and payouts excluded from the definition of "adjusted gross income" for state tax reporting purposes was raised to \$41,110 for all taxable years beginning after December 31, 2005. The 2004 tax year exclusion, by comparison, was \$40,200. While the current exclusions have been increased each year with the increase in the Consumer Price Index, the new exclusion is frozen for tax year 2006 and all future tax years, unless otherwise changed by the General Assembly.

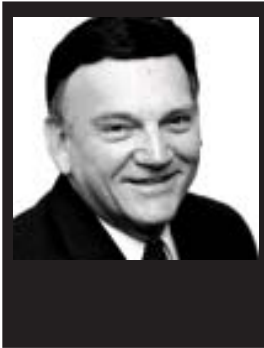
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# KTRS Board of Trustee Candidates

## Retired Member Trustee Candidates

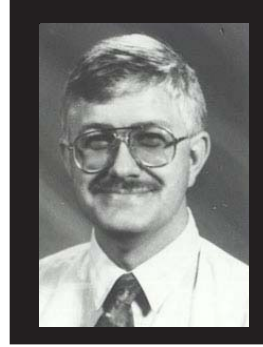


Barbara G. Sterrett  
Lexington



James G. Sproul  
Flat Lick

## Active Member Trustee Candidates



Arthur W. Green  
Elkton



Terry J. Poindexter  
Covington

## Upcoming KTRS Board of Trustees Election

The Teachers' Retirement System is governed by a nine member Board of Trustees. Two trustees are ex-officio members, the Chief State School Officer and the State Treasurer. The remaining seven trustees are elected by the retired and active membership. Elections are held in May of each year to fill either one or two positions on the Board. Positions are held for four-year terms and the elections are staggered. This May, the membership will elect an active member trustee and a retired member trustee.

The candidates for the active member position are Arthur W. Green, the incumbent, from Elkton, and (Ms.) Terry J. Poindexter, from Covington.

The candidates for the retired member position are Barbara G. Sterrett, from Lexington, and James G. Sproul, from Flat Lick.

In early May, each retired and active KTRS member will receive a ballot with information about the candidates. Retired members will receive a yellow ballot and active members will receive a blue ballot. Just select your candidates, tear along the perforation, and drop the ballot in the mail. Postage is prepaid. You may return your ballot any time during May, but no later than May 31, 2005. The Chief State School Officer is responsible for counting the ballots.

All members are urged to review the qualifications of each candidate and cast their ballot for the candidate in each category that they feel has the best qualifications to be an effective member of the Board of Trustees. The results of the election will be announced in the next publication of the 2005 KTRS newsletter.

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## ***Your Retirement System*** **Impacting Kentucky's Economy**

Do you know that more than \$1.1 billion in annuity and medical benefits to KTRS retirees will be distributed this fiscal year? Local economies, as well as the state economy, reap the rewards when educators begin to withdraw their savings in the form of retirement benefits. KTRS benefits payments will increase \$114 million from 2004 to 2005. This \$114 million would be equivalent to adding 2,850 new jobs in Kentucky, each earning \$40,000 a year. The flow of benefits payments to annuitants promises a continuous, predictable, and growing source of economic stimulus.

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### **Mandatory Social Security Coverage**

Congress is poised to consider reform measures for Social Security in order to strengthen the program, ensuring that it will be solvent for years to come. Measures under consideration include increasing the Social Security (FICA) tax, increasing the retirement age, investment of the Social Security tax in the stock market, reducing cost-of-living increases for retirees, private accounts for participating employees and mandatory participation for all public employees, including teachers.

Mandatory Social Security participation would require an additional tax of 6.20% for both employee and employer. Such additional taxation could result in reductions in the number of teachers, limits on wage increases, reductions in cost-of-living raises for retirees and reductions in other benefits such as health care.

KTRS is opposed to mandatory Social Security participation, as it will weaken existing state and local retirement plans and will not solve the Social Security program's financial dilemma. The Social Security Administration, as reported by the General Accounting Office, estimates that extending mandatory Social Security coverage to all newly hired state and local government employees would extend the trust fund's solvency by only two years. This short-term extension is not worth the long-term disruption to current public employee plan benefits that will be caused by mandating Social Security participation.

KTRS will provide its membership with information regarding this important issue as the congressional debate gets underway, and will strongly encourage

each member of Kentucky's congressional delegation to oppose this issue when and if it comes under serious consideration.

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### **Notice: Class Action Settlement May Include Members**

**Remeron** and/or its generic equivalents known as mirtazapine products are normally prescribed for depression. If you or a covered dependent paid copayments or coinsurance for Remeron and/or mirtazapine products during the period June 15, 2001 through January 25, 2005, you may be able to recover a portion of your out-of-pocket expenses for these drugs.

There is a proposed class action settlement that includes consumers, such as any of our active or retired members who have paid a portion of the cost of Remeron and/or mirtazapine products during the time period detailed above. The lawsuit alleges that certain named drug manufacturers violated federal and state antitrust laws by monopolizing and attempting to monopolize the United States market for Remeron and its generic equivalents (mirtazapine products), which resulted in the unjust enrichment of the named drug manufacturers (whom deny any wrongdoing or liability but are willing to settle this matter). As a consumer, you may have the right to share in the settlement fund, if the Court approves this settlement. In order to participate, you must complete a claim form and postmark it by **June 13, 2005** or complete a claim form online no later than this same date. **To obtain a claim form or receive further information, you may reach the settlement administrator by one of the following three methods:**

Mailing Address: Remeron Antitrust Settlement, c/o Complete Claim Solutions, Inc., P.O. Box 24769, West Palm Beach FL 33416.

Toll-free Phone Number: 1-866-401-6807  
Website: [www.RemeronSettlement.com](http://www.RemeronSettlement.com)

KTRS will also be joining the proposed class action settlement and seeking a share of the recovery because we are the third party payor for your self-funded Medicare Eligible Health Plan. KTRS continues to be an advocate for fair trade practices so that drug prices will be more affordable. This advocacy helps to preserve the Medical Insurance Fund.

## Do you have Out-of-State Teaching, Peace Corps or Federal Head Start Service?

The formula for purchasing out-of-state teaching and Peace Corps service will change to full actuarial cost effective July 1, 2005. Federal Head Start service, now purchasable only under the current out-of-state teaching service formula, will also change to full actuarial cost effective July 1, 2005. These changes will make the cost of purchasing these types of service more expensive for some members, and less expensive for others. If you have out-of-state teaching, Peace Corps or federal Head Start service, you may wish to contact the retirement system to compare the cost under the current formula with the full actuarial cost formula. Remember, in-service transfers of tax-deferred monies cannot be used to purchase service credit that is purchasable at less than full actuarial cost. This could be an important factor in determining when you want to purchase your out-of-state teaching, Peace Corps or federal Head Start service. Contact KTRS for details.

### KENTUCKY TEACHERS' RETIREMENT SYSTEM MID-CAREER PLANNING WORKSHOPS

**REGISTRATION**  
9:00 - 9:05 A.M. (Local Time)

**SEMINAR**  
9:05 A.M.-Noon (Local Time)

**June 7, 2005**

Jenny Wiley SRP  
#4 Meeting Room, Lodge  
75 Theatre Court  
Prestonsburg, KY

**June 14, 2005**

Lake Barkley SRP  
Cumberland Room  
Convention Center  
US 68/KY 80  
Cadiz, KY

**July 12, 2005**

Lake Cumberland SRP  
Activity Center  
5465 State Park Road  
Jamestown  
Slade, KY

**July 19, 2005**

Carter Caves SRP  
Olive Hill Room  
344 Caveland Drive  
Olive Hill, KY

### KENTUCKY TEACHERS' RETIREMENT SYSTEM PRE-RETIREMENT SEMINARS

**REGISTRATION**  
9:00 A.M. - 9:15 A.M.  
(Local Time)

**SEMINAR**  
9:15 A.M. - 1:00 P.M.  
(Local Time)

You are invited to attend if you are minimum one year to five years maximum from retirement.

**April 16, 2005**

Barren River SRP  
1149 State Park Road  
Lucas, KY

**June 11, 2005**

KTRS  
477 Versailles Rd  
Frankfort, KY

**June 18, 2005**

KTRS  
477 Versailles Rd  
Frankfort, KY

**July 19, 2005**

Cumberland Falls SRP  
7351 Highway 90  
Corbin, KY

**July 20, 2005**

Natural Bridge SRP  
Activity Center  
2135 Natural Bridge Rd  
Slade, KY

**July 26, 2005**

KY Dam Village SRP  
Convention Center  
166 Upper Village Drive  
Gilbertsville, KY

**July 27, 2005**

Hopkinsville Community  
College Auditorium  
720 North Drive  
Hopkinsville, KY

*Please feel free to bring a snack to have during the seminar.*

### KTRS SEMINAR OR WORKSHOP PRE-REGISTRATION FORM

Pre-registration for all seminars is **NECESSARY** and offered on a first come, first served basis. Individual retirement estimates will **NOT** be available at these workshops/seminars. **Return this pre-registration form to KTRS or pre-register on-line at: [www.ktrs.ky.gov](http://www.ktrs.ky.gov)**

This Pre-Registration is for: ☐ Mid-Career Workshop or ☐ Pre-Retirement Seminar

Name \_\_\_\_\_ Social Security Number \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Address \_\_\_\_\_

City/State \_\_\_\_\_ ZIP Code \_\_\_\_\_

Name of Employer \_\_\_\_\_

Home Phone: (\_\_\_\_\_) \_\_\_\_\_ Work Phone: (\_\_\_\_\_) \_\_\_\_\_

Date of Workshop attending: \_\_\_\_\_ City of Workshop attending: \_\_\_\_\_

**\*\* Guests are welcome if seating is available. Priority is given to KTRS Members\*\***

*Please return completed registration form to:*

**Kentucky Teachers' Retirement System ♦ 479 Versailles Road ♦ Frankfort, KY 40601-3800**



## Important Information for Year 2005 Retirees

The following answers are provided to help with often-asked questions pertaining to retirement.

### **Q: If I am planning to retire this year, what should I do in preparation?**

**A:** There are certain steps that you should be aware of to ensure a successful retirement. Application forms must be requested from the KTRS office in Frankfort. It is called a Form 23 - Application for Service Retirement and is available only from the KTRS office. You will be required to submit copies of your Social Security card and the official, certified birth certificate when you submit your retirement application. A copy of your official certified marriage license is required if married. Also, if you select a payment option that provides a lifetime benefit to a surviving beneficiary, you will need to provide a copy of the beneficiary's official, certified birth certificate.

### **Q: Does my employer need to complete any part of my retirement application?**

**A:** YES. Sections VII and VIII need to be completed by your employer in order to finalize your retirement application. Please allow sufficient time for your employer to complete these sections.

### **Q: What is the deadline to file for retirement?**

**A:** June and July retirement applications must be received in the KTRS office no later than June 1, 2005.

### **Q: When will I receive my first check?**

**A:** To be eligible for the June effective date, retiring members must complete their employment contract and resign from their position by May 31st. A one-month service credit reduction will occur for June retirements. June 1st retirees will receive their first annuity payment by direct deposit on June 28th. July 1st retirees will receive their first annuity payment by direct deposit on July 28th. Please be reminded that as a result of 1998 legislation, all retirement payments must be sent by Electronic Funds Transfer (EFT). Section IV of the retirement application requires you to supply your financial institution information and attach your voided or cancelled check.

### **Q: If I am retiring this year, when will my medical insurance become effective through KTRS?**

**A:** Your medical insurance will be effective through KTRS on the 1st day of the month FOLLOWING the month your retirement is effective.

## Your Checklist Filing for Retirement

- ☐ Your retirement application (Form 23) *(must be completed and signed by you and your employer).*
- ☐ A copy of your official certified birth certificate.
- ☐ A copy of your Social Security card *(issued by the SSA and bearing its seal and your signature).*
- ☐ A copy of your official certified marriage license *(if married at the time of your retirement)*
- ☐ A copy of your beneficiary's official certified birth certificate-*(if Retirement Option III, IIIA, IV or IVA is selected).*
- ☐ You should submit payment for any service credit purchase two months prior to your retirement. *(If you are qualifying out-of-state service or purchasing non- standard service to retire, the retirement system will calculate the amount due and notify you in writing upon receipt of your completed application.)*

## **E-mail Protocol Helps to Protect Your Privacy**

*Your personal computer is a valuable resource in contacting KTRS via e-mail for the purpose of obtaining general information about your retirement. However, your e-mails are unsecured and you should not e-mail confidential information about yourself. To safeguard against identity theft, please do not include your Social Security number or home address. When e-mailing KTRS, please indicate (in the subject area of the e-mail) that you are a KTRS member with retirement related questions. This will enable KTRS staff to identify your e-mail before opening it. This precaution will safeguard against destructive viruses penetrating our computer systems. Open records requests should not be forwarded by e-mail as they may be deleted if KTRS staff is unsure whether the e-mail is legitimate, or a merely random message that might contain a virus. KTRS has been instructed to err on the side of safety in opening e-mail and to delete all unidentifiable messages that might contain a system-damaging virus.*

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## Uniformed Services Employment and Reemployment Rights Act (USERRA)

The Uniformed Services Employment and Reemployment Rights Act (USERRA) is a federal statute that was enacted into law in 1994 as a result, in part, of Operation Desert Storm. USERRA provides certain reemployment rights for employees who are called away from their jobs into active military service. This federal act has retirement implications as well.

Generally, under USERRA members of KTRS who are called away from KTRS-covered jobs into active military service and then return to those jobs after their military service is concluded are to be treated for retirement purposes as though they never left. There are several conditions to this right, however, including the requirement that members must return to their KTRS-covered jobs within a specified period of time that will vary depending on how long they were away on service. Members must also make up member contributions for the period of time that they were away on service, but will have up to three times the length of service that they were away, not to exceed five years, by which to make these contributions. The employer is

responsible for the employer contribution and will be billed for all accrued interest as well. Contributions will be based upon the salary that members would have earned during the time that they were away.

USERRA contains many provisions, not all of them retirement-related, which cannot be adequately addressed in this newsletter. Furthermore, USERRA provisions are subject to federal amendment and interpretation. Accordingly, you should contact the federal authorities charged with the administration of USERRA if you have any questions regarding its application to your individual circumstances. The National Committee for Employer Support of the Guard and Reserves ("ESGR") maintains a USERRA website at [www.esgr.org](http://www.esgr.org) or you may wish to contact the ESGR ombudsman who can be reached toll free at (800) 336-4590 for further detail. More complex issues will probably be referred by ESGR to the United States Department of Labor. Your commanding officer may also be able to provide you with some helpful information.

### Timely Reminders to Deadlines for Purchasing 2004-05 Service Credit

Members who had unpaid contract days in the 2004/2005 fiscal year should contact KTRS about their eligibility to obtain full service and/or salary credit. **The deadline for purchasing this type of credit is December 31, 2005.** \*

Members granted leaves of absence in 2004/2005 should contact KTRS about recovering this credit. **The deadline for this type of purchase is June 30, 2006.**

*\* Appropriate forms can be obtained on the KTRS web site or from your employer.*

### Reciprocity Member Alert

Any member that has service in both Teachers' Retirement and one of the state administered retirement systems must file a retirement application with a coordinating retirement date if choosing a reciprocity retirement. You must complete and file paper work (applications and insurance forms) for both retirement systems before benefits begin from any system. Your insurance will not start until one month after you are processed in both payroll systems. A reciprocity member is a member who has established membership and maintained active retirement accounts in more than one of the state retirement systems. The law allows members to determine their eligibility for retirement benefits by combining service credit in all systems. Each system will calculate your annuity separately. If you have any questions concerning a reciprocity retirement, please contact the KTRS office.

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OF THE STATE OF KENTUCKY  
479 Versailles Road  
Frankfort, Kentucky 40601-3800  
APR/MAY 05

